

TOWN OF NEW WINDSOR, MARYLAND

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2012

JUNE 30, 2012

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	2
 FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Fund	13
Reconciliation of the Governmental Fund Balance to the Statement of Net Assets	14
Statement of Revenue, Expenditures, and Change in Fund Balance - Governmental Fund	15
Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance - Governmental Fund to the Statement of Activities	16
Statement of Net Assets - Proprietary Fund	17
Statement of Revenue, Expenses, and Change in Fund Net Assets - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Statement of Net Assets - Fiduciary Fund	20
Statement of Changes in Net Assets - Fiduciary Fund	21
Notes to the Financial Statements	22
 SUPPLEMENTARY INFORMATION	
Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund	37



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the Town Council
Town of New Windsor, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of New Windsor, Maryland (the Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's financial statements as listed in the table of contents. These financial statements and supplemental schedule are the responsibility of the Town's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the Town, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Hunt Valley, Maryland
October 4, 2012

SB & Company, LLC

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

The management's discussion and analysis of the Town of New Windsor, Maryland (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

1. The assets of the Town exceeded its liabilities at as of June 30, 2012, by \$4,358,579. This excess includes the Town's investment in capital assets of \$3,789,538.
2. The Town's total net assets increased by \$551,924 primarily due to the receipt of a grant for the waste water treatment plant from the State.
3. As of June 30, 2012, the Town's governmental fund reported an ending unrestricted fund balance of \$459,691, a decrease from the prior year of \$590,826 primarily as a result of depreciation expense.
4. As of June 30, 2012, the Town's business-type fund reported ending total net assets of \$3,128,159, an increase from the prior year of \$582,870 primarily due to the receipt of a grant for the waste water treatment plant from the State.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. In general, the purpose of financial reporting is to provide external parties who read financial statements with information that will help them make decisions or draw conclusions about an entity. There are many external parties that read the Town's financial statements; however, these parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the Town, in accordance with required reporting standards, presents 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The focus of government-wide financial statements is on the overall financial position and activities of the Town. These financial statements are constructed around the concept of a primary government, the Town.

The Town's government-wide financial statements include the statement of net assets and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net assets is to attempt to report all of the net assets held and liabilities owed by the Town. The Town reports all of its assets when it acquires ownership over the asset and infrastructure as assets even though they are not available to pay the obligations incurred by the Town. On the other hand, the Town reports liabilities, such as long-term bonds payable, even though these liabilities might not be paid until several years in the future.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

The difference between the Town's total assets and total liabilities is labeled as net assets and this difference is similar to the total owners' equity presented by a commercial enterprise. Although the purpose of the Town is not to accumulate net assets, in general, as this amount increases, it indicates that the financial position of the Town is improving over time.

The purpose of the statement of activities is to present the revenue and expenses of the Town. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial entity in that revenue is recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Town. Thus, revenue is reported even when it may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the Town reports an amount described as *change in net assets*, essentially the same thing.

The focus of the statement of activities is on the *net cost* of various activities provided by the Town. The statement begins with a column that identifies the cost of each of the Town's major functions. Another column identifies the revenue that is specifically related to the classified governmental functions. The difference between the expenses and revenue related to specific program/activities identifies the extent to which each function of the Town draws from the general revenue or is self-financing through fees, intergovernmental aid, or other sources of resources.

The primary government is divided into governmental activities and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenue, and other non-exchange revenue, while business-type activities are financed to some degree by charging external parties for the goods or services they acquire from the Town.

Governmental activities include programs/activities such as general government, public safety, public works, and parks recreation and culture. Business-type activities, an integral part of the Town's activities and responsibilities, primarily include the Town's water and sewer services.

The government-wide financial statements can be found on pages 11 and 12 of this report.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Overview of the Financial Statements (continued)

Fund financial statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Town rather than the Town as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over the resources or to satisfy finance related legal requirements established by external parties or governmental statutes or regulations. The Town's fund financial statements are divided into two broad categories, namely, (1) governmental funds, and (2) proprietary funds.

Governmental fund

Governmental fund financial statements consist of a balance sheet and statement of revenue, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The Town maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and change in fund balances for the general fund.

The Town adopts an annual appropriated budget for its general and proprietary fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary fund

Proprietary fund financial statements consist of a statement of net assets, statement of revenue, expenses, and change in fund net assets and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Overview of the Financial Statements (continued)

Proprietary fund (continued)

The Town maintains one type of proprietary fund, the enterprise fund. The Town uses enterprise funds to account for business-type activities that charge fees to customers for the use of specific goods and services. Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to primarily account for its sanitary sewer and water distribution operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-35 of this report.

Other supplementary information

The statement on page 37 of this report provides additional information about the Town's general fund revenue and expenditures including a budget comparison.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,358,579 as of June 30, 2012.

All of the Town's assets reflect its investment in capital assets (e.g., land, buildings, equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Government-wide Financial Analysis (continued)

Our following analysis focuses on the net assets and changes in net assets of the Town's governmental and business-type activities.

CONDENSED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 472,747	\$ 622,689	\$ 237,174	\$ 60,947	\$ 709,921	\$ 683,636
Capital assets, net	770,729	827,590	7,991,392	7,698,174	8,762,121	8,525,764
Total Assets	1,243,476	1,450,279	8,228,566	7,759,121	9,472,042	9,209,400
Liabilities						
Current liabilities	13,056	31,863	192,876	241,259	205,932	273,122
Long-term liabilities	-	157,050	4,907,531	4,972,573	4,907,531	5,129,623
Total Liabilities	13,056	188,913	5,100,407	5,213,832	5,113,463	5,402,745
Net Assets						
Invested in capital assets, net of related debt	770,729	670,540	3,018,809	2,660,539	3,789,538	3,331,079
Unrestricted	459,691	590,826	109,350	(115,250)	569,041	475,576
Total Net Assets	\$ 1,230,420	\$ 1,261,366	\$ 3,128,159	\$ 2,545,289	\$ 4,358,579	\$ 3,806,655

For more information on the statement of net assets see page 11.

An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2012, the Town was able to report positive balances in the two categories of net assets for its governmental activities. The same situation existed as of June 30, 2011.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Government-wide Financial Analysis (continued)

CONDENSED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue						
Charges for services	\$ 9,447	\$ 14,936	\$ 683,363	\$ 353,726	\$ 692,810	\$ 368,662
Operating grants and contributions	108,894	245,008	323,050	185,476	431,944	430,484
Capital contributions and grants	-	85,500	-	-	-	85,500
General revenues						
Real estate taxes	261,698	256,734	-	-	261,698	256,734
Personal property taxes	10,602	17,220	-	-	10,602	17,220
Income taxes	109,232	155,378	-	-	109,232	155,378
Other taxes	3,088	3,739	-	-	3,088	3,739
Interest and investment earnings	8,108	11,366	1,419	1,344	9,527	12,710
Miscellaneous	102,652	90,159	-	-	102,652	90,159
Total Revenue	613,721	880,040	1,007,832	540,546	1,621,553	1,420,586
Program Expenses						
General government	271,072	251,122	-	-	271,072	251,122
Public safety	99,690	95,580	-	-	99,690	95,580
Public works	219,512	277,109	-	-	219,512	277,109
Parks, recreation and culture	54,393	52,857	-	-	54,393	52,857
Enterprise expenses	-	-	-	-	-	-
Water and sewer services	-	-	424,962	404,815	424,962	404,815
Total Program Expenses	644,667	676,668	424,962	404,815	1,069,629	1,081,483
Change in Net Assets	\$ (30,946)	\$ 203,372	\$ 582,870	\$ 135,731	\$ 551,924	\$ 339,103

For more information on the statement of activities, see page 12.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Government-wide Financial Analysis (continued)

Governmental Activities

Governmental activities decreased the Town's net assets by \$30,946 for the year ended June 30, 2012. The key element of this decrease was depreciation costs.

Business-type Activities

Business-type activities increased the Town's net assets as of June 30, 2012 by \$582,870. The key element of this increase is from a grant received for the waste water treatment plant.

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental fund is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unreserved fund balance represents 62% of general fund expenditures.

The fund balance of the Town's general fund decreased due to increased expenditures for waste water upgrade project.

Proprietary Funds

The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund as of June 30, 2012 was \$109,350. The proprietary fund had an increase in net assets for the year of \$582,870. The reason for the disparity is the Town's net investment in fixed assets increased. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

General Fund Budgetary Highlights

The original budget for the Town was amended due to changes in the economy.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, was \$8,762,121. The investment in capital assets includes land, buildings, water/sewer improvements, machinery and equipment, park facilities and infrastructure. The total net increase in the Town's investment in capital assets for the year ended June 30, 2012 was \$236,357. This increase was a result of the construction of the waste water treatment plant.

Additional information on the Town's capital assets can be found in Note 5 on page 31 of this report.

Debt Administration

Town of New Windsor's outstanding debt as of June 30, 2012 and 2011 is as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Loans payable	\$ -	\$ 157,050	\$ 4,972,583	\$ 5,037,635	\$ 4,972,583	\$ 5,194,685

The Town's total debt decreased by \$222,102 during the current fiscal year ended June 30, 2012, primarily as a result of scheduled payments of long term debt.

Additional information on the Town's long-term debt can be found in Note 6 on pages 32 and 33 of this report.

Economic Factors and Next Year's Budgets and Rates

The economy of the Town is closely tied to the economy of the State of Maryland. Property taxes will be reviewed and property tax revenue may change as reassessments are made. The costs of operating in the general and enterprise funds are expected to increase due to fuel and labor costs inflationary factors.

TOWN OF NEW WINDSOR, MARYLAND

Management's Discussion and Analysis For the Year Ended June 30, 2012

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, 211 High Street, New Windsor, Maryland 21776.

TOWN OF NEW WINDSOR, MARYLAND

Statement of Net Assets As of June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 74,174	\$ 66,900	\$ 141,074
Restricted cash	-	106,412	106,412
Investments	365,817	45,966	411,783
Internal balances	(10,000)	10,000	-
Accounts receivable	42,756	7,896	50,652
Total Current Assets	472,747	237,174	709,921
Land	23,725	256,236	279,961
Construction in progress	-	4,883,489	4,883,489
Land improvements	168,063	-	168,063
Infrastructure	-	4,295,613	4,295,613
Buildings and equipment	1,268,588	156,172	1,424,760
Total capital assets	1,460,376	9,591,510	11,051,886
Less: accumulated depreciation	689,647	1,600,118	2,289,765
Capital assets, net of accumulated depreciation	770,729	7,991,392	8,762,121
Total Assets	1,243,476	8,228,566	9,472,042
LIABILITIES			
Accounts payable and accrued expenses	13,056	31,655	44,711
Current portion of long-term debt	-	65,052	65,052
Other current liabilities	-	96,169	96,169
Total Current Liabilities	13,056	192,876	205,932
Non-Current liabilities			
Loans payable, net of current	-	4,907,531	4,907,531
Total Liabilities	13,056	5,100,407	5,113,463
NET ASSETS			
Investment in capital assets, net of related debt	770,729	3,018,809	3,789,538
Unrestricted	459,691	109,350	569,041
Total Net Assets	\$ 1,230,420	\$ 3,128,159	\$ 4,358,579

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Statement of Activities For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 271,072	\$ 9,447	\$ 108,894	\$ -	\$ (152,731)	\$ -	\$ (152,731)
Public safety	99,690	-	-	-	(99,690)	-	(99,690)
Public works	219,512	-	-	-	(219,512)	-	(219,512)
Parks, recreation and culture	54,393	-	-	-	(54,393)	-	(54,393)
Total Governmental Activities	644,667	9,447	108,894	-	(526,326)	-	(526,326)
Business-type Activities							
Water and Sewer	424,962	683,363	323,050	-	-	581,451	581,451
TOTAL GOVERNMENT	\$ 1,069,629	\$ 692,810	\$ 431,944	\$ -	(526,326)	581,451	55,125
General Revenue							
Taxes							
Real estate taxes					261,698	-	261,698
Personal property taxes					10,602	-	10,602
Income taxes					109,232	-	109,232
Other taxes					3,088	-	3,088
Interest and investment earnings					8,108	1,419	9,527
Miscellaneous					102,652	-	102,652
Total General Revenue					495,380	1,419	496,799
Change in Net Assets					(30,946)	582,870	551,924
Net Assets, beginning of year					1,261,366	2,545,289	3,806,655
Net Assets, End of Year					\$ 1,230,420	\$ 3,128,159	\$ 4,358,579

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Balance Sheet – Governmental Fund As of June 30, 2012

ASSETS	
Cash and cash equivalents	\$ 74,174
Investments	365,817
Accounts receivable	42,756
Total Assets	\$ 482,747
LIABILITIES AND FUND BALANCE	
Accounts payable and accrued expenses	\$ 13,056
Due to other funds	10,000
Total Liabilities	23,056
Fund balance	
Unassigned	459,691
Total Liabilities and Fund Balance	\$ 482,747

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

**Reconciliation of the Governmental Fund's Fund Balance to the Statement
of Net Assets' Net Asset Balance
As of June 30, 2012**

Total Governmental Fund Balances	\$ 459,691
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statement	<u>770,729</u>
Net Assets of Governmental Activities	<u><u>\$ 1,230,420</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund For the Year Ended June 30, 2012

Revenue

Taxes	\$ 384,620
Intergovernmental	108,894
Charges for services	9,447
Miscellaneous	102,652
Total Revenue	<u>605,613</u>

Expenditures

Current:

General government	259,258
Public safety	99,690
Public works	194,526
Parks, recreation and culture	6,615
Debt service	157,050
Capital outlay	27,717
Total Expenditures	<u>744,856</u>

Excess of Expenditures over Revenue (139,243)

Other Financing Sources

Interest and investment earnings	<u>8,108</u>
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Net change in fund balance	(131,135)
Fund balance, beginning of year	590,826
Fund Balance, End of Year	<u><u>\$ 459,691</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund to the Statement of Activities For the Year Ended June 30, 2012

Net Change in Fund Balance - Total Governmental Fund	\$ (131,135)
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**Activities are reported for governmental activities in the statement
of activities are different because:**

Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense: this is the amount by which depreciation exceeded capital outlay	(56,861)
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Governmental funds report debt principle payments as expenditures. However, in the statement of activities, this activity is not recorded	157,050
Change in Net Assets of Governmental Activities	<u><u>\$ (30,946)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Statement of Net Assets – Proprietary Fund As of June 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 66,900
Investments	45,966
Restricted cash	106,412
Due from the General Fund	10,000
Accounts receivable	7,896
Total Current Assets	<u>237,174</u>

Non-Current Assets

Property and equipment	
Land	256,236
Construction in progress	4,883,489
Equipment	156,172
Water and Sewer system	3,563,532
Wells and pump houses	732,081
Total Property and equipment	<u>9,591,510</u>
Accumulated depreciation	<u>(1,600,118)</u>
Property and equipment, net	<u>7,991,392</u>

Total Assets	<u>8,228,566</u>
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LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	31,655
Current portion of long-term debt	65,052
Other liabilities	96,169
Total Current Liabilities	<u>192,876</u>

Non-Current Liabilities

Long-term debt, net of current	<u>4,907,531</u>
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Total Liabilities	<u>5,100,407</u>
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NET ASSETS

Investment in capital assets, net of related debt	3,018,809
Unrestricted	109,350
Total Net Assets	<u>\$ 3,128,159</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Statement of Revenue, Expenses and Change in Fund Net Assets – Proprietary Fund For the Year Ended June 30, 2012

Operating Revenue

Water charges	\$ 279,131
Sewer charges	363,457
Sprinkler charges	4,007
Miscellaneous	36,768
Total Operating Revenue	<u>683,363</u>

Operating Expenses

Salaries	112,259
Utilities	69,951
Supplies	56,738
Depreciation	87,526
Maintenance	31,581
Miscellaneous	51,832
Total Operating Expenses	<u>409,887</u>

Operating Income 273,476

Non-Operating Revenue (Expenses)

Interest income	1,419
Interest expense	(15,075)
Capital project grant	323,050
Total Non-Operating Revenue	<u>309,394</u>

Change in net assets	582,870
Net Assets, beginning of year	2,545,289
Net Assets, End of Year	<u>\$ 3,128,159</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Statement of Cash Flows – Proprietary Fund For the Year Ended June 30, 2012

Cash Flows from Operating Activities

Cash received from customers	\$ 677,675
Cash paid to employees	112,259
Cash payments for services and goods	258,475
Net Cash from Operating Activities	<u>306,941</u>

Cash Flows from Non Capital Financing Activity

Advances to other funds	(10,000)
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Cash Flows from Capital and Related Financing Activity Inflows

Principal paid on loans	(65,052)
Capital grants	323,050
Interest paid	(15,005)
Acquisition of capital assets	(380,744)
Net Cash from Capital and Related Financing Activity	<u>(137,751)</u>

Net increase in cash and cash equivalents	159,190
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Cash and cash equivalents, beginning of year	14,122
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Cash and cash equivalents, End of Year	<u><u>\$ 173,312</u></u>
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Reconciliation of Operating Income to Net Cash from Operating Activities:

Operating loss	\$ 273,476
Depreciation	87,526
Changes in non-cash operating assets and liabilities:	
Accounts receivable	(5,688)
Accounts payable and accrued expenses	(48,373)
Net Cash from Operating Activities	<u><u>\$ 306,941</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

**Statement of Net Assets - Fiduciary Fund
As of June 30, 2012**

	Nonexpendable Trust
Assets	
Investments	<u>\$ 18,385</u>
Net Assets	
Held in trust for Walnut Grove Maintenance	<u><u>\$ 18,385</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

**Statement of Change in Net Assets - Fiduciary Fund
For the Year Ended June 30, 2012**

	Nonexpendable Trust
Additions	
Net appreciation in fair value of instruments	<u>\$ 791</u>
Change in net assets	791
Net assets, beginning of year	<u>17,594</u>
Net Assets, End of Year	<u><u>\$ 18,385</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Town of New Windsor, Maryland (the Town) was incorporated in 1843 pursuant to authority of Article XIE of the Constitution of Maryland and Article 23A of the Annotated Code of Maryland. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Town's financial statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has no component units.

The accompanying financial statements are prepared on the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Town has elected not to apply non-GASB pronouncements issued on or after November 30, 1989 unless required by GASB.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Government-wide Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's public safety, public works, parks, recreation and culture and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. For the most part, the effect of interfund activity has been removed from these statements. The Town's net assets are reported in two parts - investment in capital assets, net of related debt, and unrestricted net assets.

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenue (property and income taxes and certain intergovernmental revenue). For the most part, the effect of interfund activity has been removed from these statements. The statement of activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants, and contributions. The program revenue must be directly associated with the function or business-type activity. Program revenue include revenue from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property and income taxes, intergovernmental revenue, interest income, etc.).

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The new model as defined in GASB Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town reports the following major funds:

Governmental Fund

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town has one governmental fund, the general fund. The general fund is the primary operating fund of the Town. It is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Proprietary Fund

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The accounting principles applicable generally accepted are those similar to businesses in the private sector. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue for the Town's proprietary funds are charges for water and sewer services. Operating expenses for the Town's proprietary funds include salaries, utility costs for the sewer plant, supplies, administrative costs, maintenance and depreciation on capital assets. All revenue or expenses not meeting this definition are reported as non-operating revenue and expenses.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

The Town's proprietary fund is classified as the enterprise fund. The enterprise fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity: (a) is financed with debt that is solely secured by a pledge of the net revenue; (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town's enterprise fund is comprised of only utility funds. The utility fund is used to account for the revenue generated from the charges for distribution of water and charges for sewer services provided to the residential and commercial users of the Town.

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Modified Accrual: The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Property taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenue, include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the utility fund is charges to customers for services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

Budgets and Budgetary Accounting

The Town prepares an annual operating budget for the general fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts were subject to amendment during the fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and all other investment instruments with original maturities of three months or less.

Capital Assets

Capital assets used in governmental fund type operations are accounted for in the government-wide statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets with a value of \$1,000 or more are capitalized by the Town.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	25-40 Years
Buildings and Improvements	20-40 Years
Equipment	5-10 Years

Government-wide Statements: In the government-wide financial statements, fixed assets are accounted for as capital assets. The Town has elected to report general infrastructure assets retroactively.

Depreciation of all exhaustible fixed assets is recorded as a direct expense in the accompanying statement of activities, with accumulated depreciation reflected in the statement of net assets.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund Financial Statements: In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Inter-fund Activity

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenue reported for the various functions covered.

Sales of goods and services between funds are reported as revenue in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources in governmental fund. In fund financial statements, short-term inter-fund loans are classified as inter-fund receivables/payables.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets and Fund Balances

In the government-wide financial statements and proprietary fund financial statements, net assets are classified in the following categories:

Investment in Capital Assets, Net of Related Debt: This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: This category represents the net assets of the Town, which are not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the fund financial statements.

In the governmental funds financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Town Council and management and can be increased, reduced or eliminated by similar actions.

Budgetary Policy and Procedures

The Town follows these procedures in establishing the budgetary data reflected in the financial statements: the Town Administrator submits the entire budget to the Town Council, which includes both the operating and capital equipment expenditures and the means of financing them. Work sessions and hearings are scheduled and subsequent to these, the Town Board adopts a tentative budget. The Council may insert new budget items, delete items, and increase or decrease any items of the budget so presented. The tentative budget becomes a public record in the Office of the Director of Finance, open to public inspection by any resident or taxpayer of the Town. The Council must hold a public hearing on the tentative budget after two weeks' notice has been published in a newspaper with a general circulation within the Town. The Town Administrator may transfer funds between appropriations for different purposes; however, it shall be approved by a majority of the Town Council before becoming effective. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as expenditures at the time purchase orders are issued. Budgetary comparisons presented for the general fund are on this non-GAAP basis. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

2. CASH AND CASH EQUIVALENTS

Policies and Practices

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States of America unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be insured by FDIC. Collateral is held by an independent third party with whom the Town has a current custodial agreement in the Town's name.

Investment Policies

Credit Risk - it is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no policy regarding credit risk.

Interest Rate Risk - it is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Concentration of Credit Risk - it is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town has no policy regarding concentration of credit risk.

Custodial Credit Risk - it is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Town policy provides that investment collateral is held by a third party custodian with whom the Town has a current custodial agreement in the Town's name.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

2. CASH AND CASH EQUIVALENTS (continued)

Generally, the Town's investing activities are managed by the Mayor. Investing is performed in accordance with investment policies adopted by the Town Council complying with State Statutes and the Town Charter. Town funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government Agency and U.S. Government-sponsored instrumentalities; 3) Repurchase agreements (master repurchase agreement required); 4) Collateralized certificates of deposit (only Maryland commercial banks); and 5) Maryland Local Government Investment Pool.

Investments

The Town has invested as of June 30, 2012, \$430,168 in PrimeVest investment portfolios. These portfolios consist of money market funds and certificates of deposit.

As of June 30, 2012, the Town had the following investments:

Types of Investments	Fair Value / Carrying Amount	Cost	Average Credit Quality / Ratings	Weighted Average Days to Maturity
Investment Portfolio	\$ 411,783	\$ 407,098	N/A	30
Walnut Grove Investment Portfolio	18,385	18,385	N/A	30
	<u>\$ 430,168</u>	<u>\$ 425,483</u>		

Collateral Risk

Collateral risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned. The bank and book balance of cash was \$96,122 and \$95,785, respectively, of which \$96,122 was collateralized by depository insurance. The investment balance of \$430,168 is collateralized by securities held by the bank's agent in the Town's name.

3. INTERFUND TRANSFERS AND BALANCES

During the year ended June 30, 2012, the general fund did not make a transfer to the water enterprise fund. As of June 30, 2012, the general fund was advanced \$10,000 from the proprietary fund.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

4. PROPERTY TAXES

From the effective date of the budget, the amount stated thereon as the amount to be raised by the property tax shall constitute a determination of the amount of the tax levy in the corresponding tax year. Taxes shall be due and payable on the first day of July on the year for which they are levied and shall be overdue and in arrears on the first day of the following October.

5. CAPITAL ASSETS

A summary of governmental activities is as follows:

	Balance June 30, 2011	Increases	Balance June 30, 2012
Capital assets			
Land	\$ 18,515	\$ 5,210	\$ 23,725
Land improvements	167,617	446	168,063
Buildings and improvements	645,614	-	645,614
Equipment	340,913	22,061	362,974
	<u>1,172,659</u>	<u>27,717</u>	<u>1,200,376</u>
Less: accumulated depreciation	605,069	84,578	689,647
Total	<u>567,590</u>	<u>(56,861)</u>	<u>510,729</u>
Non-depreciated assets (Building)	260,000	-	260,000
Total Capital Assets, Net	<u>\$ 827,590</u>	<u>\$ (56,861)</u>	<u>\$ 770,729</u>

Depreciation expense was charged to governmental functions as follows: General government: \$11,814; Public works: \$24,986; and Parks, recreation and culture: \$47,778.

A summary of business-type activities is as follows:

	Balance June 30, 2011	Increases	Balance June 30, 2012
Capital assets			
Land	\$ 256,236	\$ -	\$ 256,236
Infrastructure	4,295,613	-	4,295,613
Equipment	154,432	1,740	156,172
Total	<u>4,706,281</u>	<u>1,740</u>	<u>4,708,021</u>
Less: Accumulated depreciation			
Infrastructure	1,426,493	82,544	1,509,037
Equipment	86,099	4,982	91,081
Total	<u>1,512,592</u>	<u>87,526</u>	<u>1,600,118</u>
Non-depreciated assets			
(Construction in Process)	4,504,485	379,004	4,883,489
Total Capital Assets, Net	<u>\$ 7,698,174</u>	<u>\$ 293,218</u>	<u>\$ 7,991,392</u>

Depreciation expense was charged to the water and sewer services.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

6. LONG-TERM DEBT

Business-type Activities

\$824,716 Water Quality loan for new storage tank. Loan due in annual installments of \$35,747, including interest, plus an additional semi-annual interest payment through February 1, 2027; interest at 0.4%. Also, an administrative fee of \$1,807 is due annually. \$ 512,604

\$167,829 New Windsor Dennings Well Connection loan due in annual installments of \$7,088 including interest, plus an additional semi-annual interest payment, through February 1, 2028; interest at 0.4%. Also, an administrative fee of \$368 is due annually. 109,331

\$800,000 Chlorine Contact Tank loan, of which \$160,000 has been forgiven; Annual principal payments of \$26,952, including interest, plus an additional semi-annual interest payment, interest at 0.45%, matures February 1, 2031. Also, an administrative fee of \$1,347 is due annually. 492,174

\$4,530,000 Waste Water Treatments Plant upgrade loan, of which \$3,858,474 has been drawn; Annual principal payments of \$197,000 will commence February 1, 2012, subject to the entire funding of the loan, interest at 0.0%, matures February 1, 2031. 3,858,474

Total Business-type activity debt	<u>\$ 4,972,583</u>
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TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

6. LONG-TERM DEBT (continued)

During the year ended June 30, 2012, governmental activities repaid \$157,050 of debt outstanding from the prior year.

The following is a summary of changes in business-type activities long-term debt for the year ended June 30, 2012:

Type of Debt	Balance Outstanding June 30, 2011	Additions	Reductions	Balance Outstanding June 30, 2012	Due Within One Year
MD Water Quality Financing					
Adminstration	\$ 546,168	\$ -	\$ 33,564	\$ 512,604	\$ 33,564
MD Dept of the Environment	115,935	-	6,604	109,331	6,604
MD Dept of the Environment	517,058	-	24,884	492,174	24,884
MD Water Quality Financing Adminstration	3,858,474	-	-	3,858,474	-
	<u>\$ 5,037,635</u>	<u>\$ -</u>	<u>\$ 65,052</u>	<u>\$ 4,972,583</u>	<u>\$ 65,052</u>

The scheduled payments relative to debt service is as follows:

For the years ended June 30,	Business-type Activities	
	Interest	Principal
2012	\$ 5,835	\$ 65,052
2013	4,478	65,576
2014	4,212	65,835
2015	3,953	66,099
2016	3,689	66,363
2017-2021	14,455	334,485
2022-2026	7,741	341,199
2027-2031	1,818	109,500
	<u>46,181</u>	<u>1,114,109</u>
Water Water Treatment Plant loan, funded to date	-	3,858,474
	<u>\$ 46,181</u>	<u>\$ 4,972,583</u>

Interest expense for the year ended June 30, 2012, was \$15,075 for business-type activities.

TOWN OF NEW WINDSOR, MARYLAND

Notes to the Financial Statements For the Year Ended June 30, 2012

7. LEASE AGREEMENT

The Town has four lease agreements for cell towers. Rental income for the year ended June 30, 2012, was \$80,758. Future annual rental income as of June 30, 2012 is as follows:

<u>For the Years ending June 30,</u>	<u>Annual Rent</u>
2012	\$ 74,676
2013	76,910
2014-2017	35,854
	<u>\$ 187,440</u>

8. CONCENTRATION OF RISK

The Town provides various services to its residents. It is located in Carroll County, Maryland. Credit is granted to its residents for taxes, water and sewer bills. The Town may place a lien on any property associated with taxes, water and sewer services, therefore, an allowance for uncollectible amounts has not been deemed necessary.

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance coverage for these types of losses, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. COMMITMENTS AND CONTINGENCIES

Grants

The Town receives grants from time to time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

SUPPLEMENTARY INFORMATION

TOWN OF NEW WINDSOR, MARYLAND

Supplemental Schedule of Revenue and Expenditures- Budget and Actual - General Fund For the Year Ended June 30, 2012

	Budget Amounts			Variance from
	Original	Final	Actual	Final Budget
REVENUE				
Taxes	\$ 401,972	\$ 401,972	\$ 384,620	\$ (17,352)
Intergovernmental	92,113	92,113	108,894	16,781
Charges for services	12,170	12,170	9,447	(2,723)
Interest and investment earnings	10,000	10,000	8,108	(1,892)
Miscellaneous	86,800	86,800	102,652	15,852
TOTAL REVENUE	<u>\$ 603,055</u>	<u>\$ 603,055</u>	<u>\$ 613,721</u>	<u>\$ 10,666</u>
EXPENDITURES				
General government	\$ 269,895	\$ 269,895	259,258	\$ 10,637
Public safety	100,310	100,310	99,690	620
Public works	191,625	191,625	194,526	(2,901)
Parks, recreation and culture	7,625	7,625	6,615	1,010
Capital Outlay	33,600	33,600	27,717	5,883
TOTAL EXPENDITURES	<u>\$ 603,055</u>	<u>\$ 603,055</u>	<u>\$ 587,806</u>	<u>\$ 15,249</u>